



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

February 5, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
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First District

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Second District

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Third District

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MOTION TO INSTRUCT THE CHIEF EXECUTIVE OFFICER TO PREPARE A FIVE-SIGNATURE LETTER TO THE COUNTY'S CONGRESSIONAL DELEGATION AND THE ACTING ADMINISTRATOR OF THE CENTERS FOR MEDICARE AND MEDICAID (CMS) URGING CMS TO REMOVE SUBSECTION 438.6(c) FROM THE FINAL MEDICAID MANAGED CARE RULE (ITEM NO. 10, AGENDA OF FEBRUARY 9, 2016)

Item No. 10 on the February 9, 2016 Agenda is a motion by Supervisor Knabe instructing the Chief Executive Officer to prepare a five-signature letter to the County's Congressional Delegation and the Acting Administrator of the Centers for Medicare and Medicaid (CMS) urging CMS to remove subsection 438.6(c) from the final Medicaid managed care rule, or in the alternative, to expressly clarify that states can continue to have the discretion to establish payment parameters, including targeted payments, to achieve state goals.

Background

On June 1, 2015, the Federal Centers for Medicare and Medicaid Services issued a proposed Medicaid managed care rule. The proposed rule is intended to: strengthen beneficiary protections; better align Medicaid managed care rules with standards for other coverage programs; increase fiscal integrity in rate-setting; address delivery and payment system reform in the context of managed care; improve the quality of care across Medicaid delivery systems; increase health plan and state accountability; and strengthen State and Federal oversight of Medicaid managed care programs. Comments on the proposed rule were due to CMS on July 27, 2015. The final rule is expected to be finalized in the Spring of 2016.

"To Enrich Lives Through Effective And Caring Service"

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Analysis

California's Medicaid program, Medi-Cal, provides health care services for low-income individuals, including families with children, seniors, persons with disabilities, foster care, pregnant women, and low income people with specific diseases such as tuberculosis, breast cancer, or HIV/AIDS. Medi-Cal is funded by the Federal and State government. Currently, over 12.5 million Californians are enrolled in the Medi-Cal Program. Most Medi-Cal beneficiaries receive services from managed care health plans.

One section of the proposed Medicaid managed care rule would fundamentally change how payments are made to Medi-Cal managed care providers. Subsection 438.6(c) would prohibit states from directing supplemental managed care payments to Medicaid providers and would eliminate the use of rate ranges for providers. This provision would potentially destabilize the State's health delivery system, particularly for public safety net providers such as Los Angeles County.

According to the Department of Health Services (DHS), the County relies on the flexibility of directed supplemental managed care payments to sustain the health care safety net and to ensure critical services are available to vulnerable communities. These payments are subject to Federal fiscal oversight through the upper payment limits, actuarial soundness and other Medicaid payment limitations and were the result of extensive policy discussions with legislators, the State Medicaid agency and other stakeholders, and were designed to ensure that providers of core community services remain viable to ensure minimum access and quality level for Medi-Cal beneficiaries.

The proposed rule also would restrict states from using rate ranges to determine the reimbursement for Medi-Cal managed care providers. Instead, actuaries would certify a specific rate of payment for services provided by managed care providers. DHS notes that the County has historically served a disproportionate number of Medi-Cal and uninsured patients who often have complex medical, mental health and social conditions which are high cost and require specialty services. DHS reports that the ability to use rate ranges helps to ensure access to critical health care services for hard-to-serve populations.

The Department of Health Services indicates that the proposed Medicaid managed care rule would result in the loss of millions of dollars in Federal Medicaid funding, limit the ability of the State and the County to retain essential Medi-Cal managed care providers, and significantly undermine the County's health care safety net.

Conclusion

This office and the Department of Health Services recommend approval of the motion instructing the Chief Executive Officer to prepare a five-signature letter to the County's Congressional Delegation and the Acting Administrator of the Centers for Medicare and Medicaid (CMS) urging CMS to remove subsection 438.6(c) from the final Medicaid managed care rule, or in the alternative, to expressly clarify that states can continue to have the discretion to establish payment parameters, including targeted payments, to achieve state goals.

Approval of this motion is consistent with existing policy in the County's Federal Legislative Agenda to oppose proposals which would reduce the level of Medicaid payments.

We will continue to keep you advised.

SAH:JJ:MR
VE:ma

c: Executive Office, Board of Supervisors
 County Counsel